



M. Jodi Rell

GOVERNOR

STATE OF CONNECTICUT

May 24, 2010

The Honorable Susan Bysiewicz
Secretary of the State
30 Trinity Street
Hartford, CT 06106

Dear Secretary Bysiewicz:

I hereby return without my signature Senate Bill 493, *An Act Reducing Electricity Costs and Promoting Renewable Energy*, because it fails to deliver the very benefits its title promises. While I appreciate this well-intentioned effort, I do not believe that this legislation is in the best interests of the ratepayers or taxpayers of our state.

The proponents of this bill claim that it will reduce energy costs, spark the creation of a renewable energy industry in the state, create jobs and stabilize the electricity market. These claims are eerily reminiscent of the claims made about the electric industry deregulation bill which was presented some years ago as a panacea for Connecticut's energy problems. After a decade of exorbitant prices, however, that bill has yet to deliver on its promises. We cannot repeat the mistakes of the past. We simply cannot enact the sweeping changes contained in this bill without fully knowing the effect that they will have on the energy market, our state's economy and ratepayer bills. So, despite laudable goals and several meritorious provisions, the unvetted requirements and unintended consequences resulting from this legislation are of great concern.

In addition, Senate bill 493 was passed in the waning days of the legislative session with minimal input from critical stakeholders. Since the bill in its final form was emergency-certified, no public hearing was held on the complete package and there was no opportunity for testimony from the public or industry representatives, although pieces of the bill may have been discussed separately in a variety of public forums. The use of the "e-cert" process to accelerate this complicated bill was disrespectful to those who honestly desired to read and deliberate the bill's provisions and unfair to the people of Connecticut whose electric bills and taxes would surely be affected.

Furthermore, even legislators were denied the opportunity for meaningful input. Legislators were permitted to comment only on whether they thought the language of the bill achieved the bill's intent and were not permitted to suggest changes to policy. (A memo from the Energy Committee clerk was distributed on April 27, 2010 to interested legislators. The memo stated that comments were to be submitted by noon on April 28, 2010 and were to relate solely to whether the language of the bill carried out the drafters'

intent and not to major policy issues.) It is wholly inappropriate to deny the opportunity for meaningful comment to elected members of the legislature whose primary purpose is to make public policy decisions.

I believe in the legislative process. As disjointed as the legislative process can sometimes appear, public comment and open analysis and debate are critical to producing well-crafted, workable laws. The proponents of this bill would have been well served by following that process.

I would also note that on the day this bill was debated in the House of Representatives, session began at 10:52 in the morning. This 52-page bill, however, was not brought out until after 3:00 a.m. the following morning. The vote was recorded at 6:01 a.m. Tired legislators debating a bill as complex and important as this under the cloak of night is untenable and unacceptable.

Also unacceptable are unproven claims that the legislation will reduce consumers' electricity costs by 15% by July 1, 2012. The bill does not specify how the reduction is to be achieved or which component of the rates will be reduced. In fact, there is no guarantee that rates will actually be reduced. Rather, the bill lays out policies that in all likelihood will increase costs for consumers.

The bill revises the procurement process for standard offer electric service in an effort to lower rates. This approach to procurement of energy through long-term purchasing contracts or new sources of generation is highly speculative and, rather than protecting ratepayers from the volatility of the market, potentially subjects them to increased financial risk and higher rates.

Furthermore, by creating a new state agency, the Connecticut Energy and Technology Authority (CETA), this bill increases the size and scope of state government at a time when we are striving to cut expenses and streamline government. CETA subsumes one existing agency (DPUC) and adds three new bureaus -- power procurement, conservation and renewable energy and research. The legislative Office of Fiscal Analysis reports that these changes will result in significant cost to taxpayers beginning in 2012.

In the midst of both this great recession and our well-known state budget challenges I cannot ask our already over-burdened and over-taxed residents and businesses to bear the additional burden of the costs associated with this bill. In addition, it has been strongly suggested that this bill will compel the loss of businesses, investment and thousands of jobs in the electric supplier market – and the loss of the associated tax revenues.

Although Connecticut has endured years of steadily increasing electric costs, there is some good news. We have increased our renewable electric generation capacity and significantly increased energy efficiency across all customer segments. Electric competition has finally taken hold and ratepayers have begun to realize millions of dollars in savings each year. Investment in renewable energy has grown and we have put

programs in place to spark development of green technology jobs as the economy improves.

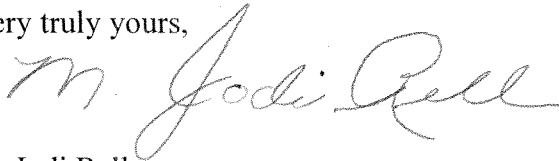
In that vein, I acknowledge that there are pieces of this legislation that do make good, economic sense. I applaud, for example, the provisions that enhance current incentive programs for growth of renewable energy investments and industry in Connecticut, primarily in solar photovoltaic technology, by subsidizing rates for solar-produced electricity. Proponents expect these provisions to create 1,000 jobs in the next decade. The estimated cost to ratepayers over the life of the new solar programs, however, is nearly \$1.4 billion. So while this is a laudable goal, it is simply not the right time to make an investment of this magnitude.

I am also in favor of a discounted electric rate for low-income ratepayers. While funding for existing low-income programs could be reprogrammed to finance a portion of the program contemplated in this bill, the details are lacking as to how the goal could be achieved without substantial, additional costs being borne by other ratepayers.

In conclusion, I believe that the best way to make the necessary improvements to our systems for energy generation, supply, and regulation is to prepare legislation within the parameters of the normal legislative process, with its requisite transparency, public and legislative input, stakeholder participation and deliberation. I encourage all members of the General Assembly to begin meeting now, in an open and transparent process, to thoroughly examine how the goals of this bill can be achieved without jeopardizing the progress that we have made and increasing rates.

For all of the foregoing reasons, pursuant to Section 15 of Article Fourth of the Constitution of the State of Connecticut and Article III of the Amendments thereto, I am returning Senate Bill 493 without my signature.

Very truly yours,

A handwritten signature in cursive script, reading "M. Jodi Rell". The signature is written in dark ink and is positioned above the printed name and title.

M. Jodi Rell
Governor